

Message Text

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SUBJECT: NATO FORCE PROPOSALS/GOALS 1975-80 PORTUGAL

REFS: A. STATE 42348; B. MCM-14-74; C. DRC/WP(74)2

(PORTUGAL)

SECTION I. INTRODUCTION

1. THIS MESSAGE PROVIDES SPECIFIC GUIDANCE FOR MISSION USE DURING CONTINUING DRC REVIEW OF PORTUGUESE FORCE PROPOSALS/GOALS. THE GENERAL APPROACH USED IN DEVELOPING THIS GUIDANCE WAS DESCRIBED IN REF A. FYI. WE REITERATE THAT THE CONCEPT EMPLOYED IN ARRIVING AT U.S. PROPOSED FORCE SECRET

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GOALS DOES NOT ATTEMPT TO SUPPLANT THE MILITARY CONSIDERATIONS EXPRESSED AS MC PRIORITIES IN FORCE PROPOSALS. RATHER, IT USES THOSE PROPOSALS AS A DEPARTURE POINT TO INTERWEAVE ECONOMIC, POLITICAL, AND USG POLICY CONSIDER-

ATIONS INTO THE FORCE PLANNING PROCESSES OF THE ALLIANCE.
END FYI.

2. AS DESCRIBED IN REF A, OUR QTE REASONABLE CHALLENGE UNQTE FOR NATO COUNTRIES WAS DEFINED AS THE INCREMENTAL FUNDS -- OVER AND ABOVE CURRENT NATIONAL EXPENDITURE PLANS -- THAT COUNTRIES WOULD HAVE DURING 1975-80 IF THEY MAINTAINED THEIR CURRENT PERCENTAGE OF GNP DEVOTED TO DEFENSE. IN THE CASE OF PORTUGAL OUR QTE REASONABLE CHALLENGE UNQTE WOULD BE AN ADDITIONAL EXPENDITURE OF 41,152 MILLION

PORTUGUESE ESCUDOS OR AN INCREASE OF ABOUT FORTY-EIGHT PERCENT OVER AND ABOVE OUR PROJECTION OF CURRENTLY PLANNED 1975-80 EXPENDITURES (85,215 MILLION PORTUGUESE ESCUDOS).

3. WE HAVE ALSO FOLLOWED THE PROCEDURE DESCRIBED IN REF A FOR DISTILLING A U.S. PROPOSED LIST OF PRIORITY ONE FORCE GOALS OUT OF REF B. IN THE CASE OF PORTUGAL, NARROWING THE CRITERIA FOR PRIORITY ONE TO THOSE FORCE PROPOSALS WHICH SEEM TO ADVANCE NATO'S FORCE STRUCTURE TOWARDS THE OBJECTIVES EMPHASIZED BY SECRETARY SCHLESINGER HAS RESULTED IN THE PROPOSED FORCE GOALS INCLUDED BELOW IN TABLES III-1 THROUGH 3.

4. WE ASSUME MISSION WILL WORK CLOSELY WITH DELEGATIONS AND INTERNATIONAL STAFF IN CARRYING OUT APPROPRIATE MISSIONARY WORK.

5. THE FOLLOWING SECTIONS PROVIDE DETAILS ON THE FORCE PROPOSALS FOR PORTUGAL.

SECTION II: COMPUTATION OF QTE REASONABLE CHALLENGE UNQTE EXPENDITURE TARGETS FOR PORTUGAL.

1. THIS SECTION DESCRIBES THE PROCESS USED TO ESTABLISH OUR REASONABLE CHALLENGE EXPENDITURE TARGETS FOR PORTUGAL. A SUMMARY OF THE KEY STEPS IS PRESENTED BELOW
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FOLLOWED BY A GENERAL DESCRIPTION OF DATA SOURCES AND ASSUMPTIONS.

1972 CONSTANT PRICES, ESCUDOS IN MILLIONS

(1)	(2)	(3)
PROJECTED	PERCENTAGES OF	1975-80 DEFENSE
1975-80	GNP CURRENTLY	EXPENDITURES TARGET
GNP	DEVOTED TO	BASED ON MAINTAINING
----	DEFENSE	CURRENT PERCENTAGE
----	OF GNP DEVOTED TO	
----	DEFENSE	

1,673,730 7.55 PERCENT 126,367

(4)	(5)	(6)
PROJECTED	QTE REASONABLE	QTE REASONABLE
1975-80 DEFENSE	CHALLENGE UNQTE	CHALLENGE UNQTE
EXPENDIURES	(DIFFERENCE BETWEEN AS A PERCENT OF	
BASED ON CURRENT TARGET AND NATIONAL PROJECTED EXPENDI-		
NATIONAL PLANS	PLANS) (3) - (4)	TURES BASED ON
-----	NATIONAL PLANS	

85,215 41,152 48.3 PERCENT

2. SUMMARY OF KEY STEPS

FIRST, WE PROJECTED TOTAL PORTUGUESE GNP FOR 1975 THROUGH 1980 (COL. 1). NEXT, WE DETERMINED THE TOTAL FUNDS THAT WOULD BE AVAILABLE FOR DEFENSE DURING 1975-1980 IF PORTUGAL ADHERED TO MINISTERIAL GUIDANCE CALLING FOR NATIONS TO ALLOCATE AT LEAST A CONSTANT SHARE OF THEIR NATIONAL WEALTH, I.E., THEIR GNP TO DEFENSE (COL. 3). WE THEN DETERMINED WHAT FUNDS PORTUGAL WOULD HAVE AVAILABLE FOR DEFENSE DURING 1975-1980 BASED ON CURRENT NATIONAL EXPENDITURE PLANS (COL. 4). WE ASSUMED THAT THE FORCE PROPOSALS ALREADY IN NATIONAL FORCE PLANS WOULD BE FUNDED OUT OF THE AMOUNTS SHOWN IN COL. 4 AND THAT ADDITIONAL FUNDING, OVER AND ABOVE THE AMOUNTS SHOWN IN COL. 4, WOULD BE NECESSARY TO FUND ANY ADDITIONAL FORCE PROPOSALS (OTHER THAN NO COST/LOW COST PROPOSALS).

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COLUMN 5 IS THE DIFFERENCE BETWEEN TOTAL DEFENSE EXPENDITURES BASED ON MAINTAINING THE CURRENT GNP PERCENTAGE (COL. 3) AND TOTAL DEFENSE EXPENDITURES BASED ON CURRENT NATIONAL EXPENDITURE PLANS (COL. 4). THIS REPRESENTS OUR PROPOSED REASONABLE CHALLENGE, THE INCREMENTAL AMOUNT PORTUGAL WOULD BE EXPECTED TO DEVOTE TO DEFENSE TO FUND PRIORITY ONE FORCE PROPOSALS THAT ARE NOT ALREADY IN COUNTRY PLANS. THE FIGURE OF ESC. 41.2 BILLION FOR 1975-1980 IS APPROXIMATELY 16 PERCENT ABOVE THE INTERNATIONAL STAFF'S QTE HIGH UNQTE ESTIMATE OF THE REASONABLE CHALLENGE, AS REPORTED IN DRC/WR(74)1, AND ABOUT 77 PERCENT ABOVE ITS QTE LOW UNQTE ESTIMATE. PORTUGAL'S QTE REASONABLE CHALLENGE UNQTE AS A PERCENT OF PROJECTED DEFENSE EXPENDITURES (COLUMN 6) IS HIGHER THAN THAT OF ANY OTHER NATO NATION. THIS IS BECAUSE PORTUGAL HAS ONE OF THE HIGHEST PROJECTED GNP GROWTH RATES IN NATO AND IS THE ONLY NATO NATION THAT HAS PROJECTED A DECLINE IN REAL DEFENSE EXPENDITURES FOR 1975-80.

3. DATA SOURCES AND ASSUMPTIONS.

PRICE BASE: ALL COMPUTATIONS WERE DEVELOPED ON THE BASIS

OF 1972 CONSTANT PRICES. THIS WAS THE PRICE BASE USED BY

SHAPE TECHNICAL CENTER IN ITS COST ESTIMATES OF THE FORCE PROPOSALS.

4. GNP PROJECTIONS (COLUMN 1): GNP PROJECTIONS ARE BASED ON ESTIMATES PROVIDED IN NATO DOCUMENT DPC/D(73)23 (PORTUGAL) ADJUSTED TO REFLECT RECENT INFORMATION AVAILABLE FROM OTHER SOURCES. BASED ON INFORMATION OBTAINED FROM USG AGENCIES, WE ESTIMATED THAT 1974 GNP WOULD REPRESENT A FIVE PERCENT INCREASE IN REAL TERMS OVER 1973. BECAUSE OF ITS ANGOLAN OIL, PORTUGAL IS SOMEWHAT INSULATED FROM THE ENERGY CRISIS, THEREFORE SHOULD NOT BE AFFECTED TO THE SAME EXTENT AS SOME OF THE OTHER NATO COUNTRIES. INFORMATION AVAILABLE TO US INDICATED A LONG TERM ANNUAL GROWTH RATE ON THE ORDER OF 6 TO 7 PERCENT. ACCORDINGLY, WE ASSUMED A 6.5 PERCENT PER YEAR REAL INCREASE FOR 1975 THROUGH 1980. TOTAL 1975-1980 GNP PROJECTED AS DESCRIBED ABOVE IS APPROXIMATELY 8 PERCENT HIGHER THAN THE QTE LOW SECRET

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UNQTE GNP ESTIMATE MADE BY THE INTERNATIONAL STAFF IN DRC/WP(74)1 AND APPROXIMATELY 4 PERCENT BELOW THE QTE HIGH UNQTE GNP ESTIMATE PROVIDED IN THAT DOCUMENT.

5. CURRENT GNP PERCENTAGE DEVOTED TO DEFENSE (COLUMN 2): THIS FIGURE, CALCULATED USING THE GNP PERCENTAGES SHOWN IN NATO DOCUMENT ISM(73)11, REPRESENTS THE AVERAGE OF PORTUGAL'S 1972 AND 1973 GNP PERCENTAGES. SINCE GNP PERCENTAGES WILL FLUCTUATE FROM YEAR TO YEAR AND SINCE 1973 DATA IS STILL SUBJECT TO CHANGE, THE AVERAGE FOR THE MOST RECENT YEARS, 1972 AND 1973, WAS CONSIDERED TO BE A MORE REPRESENTATIVE INDICATION OF A COUNTRY'S RECENT EFFORT THAN EITHER 1972 OR 1973 ALONE. THE GNP PERCENTAGE DEVELOPED AS DESCRIBED ABOVE IS HIGHER THAN THE GNP PERCENTAGE USED IN DRC/WP(74)1.

6. TOTAL DEFENSE EXPENDITURES BASED ON CURRENT NATIONAL PLANS (COLUMN 4): THESE PROJECTIONS WERE DERIVED FROM INFORMATION PROVIDED IN DPC/D(73)23 WHICH INDICATED A ONE PERCENT PER YEAR DECREASE IN REAL GROWTH FOR 1975 AND BEYOND. THE 1975-1980 TOTAL DEVELOPED AS DESCRIBED ABOVE IS TWO PERCENT ABOVE THE INTERNATIONAL STAFF ESTIMATE PROVIDED IN DRC/WP(74)1.

SECTION III: PRIORITY ONE DRAFT FORCE GOALS FOR PORTUGAL.

1. BY THE PROCEDURE DETAILED IN REF A WE HAVE IDENTIFIED PROPOSALS WHICH MEET THE SECDEF CRITERIA. THESE WERE GIVEN U.S. PRIORITY ONE, INDEPENDENT OF THE MC PRIORITY. IF COSTS WERE INCLUDED WITHIN COUNTRY PLANS, A LETTER C APPEARS IN THE COST COLUMN OF EACH OF THE FOLLOWING THREE

TABLES. COSTS INDICATED ARE THOSE COSTS OVER AND ABOVE

DRAFT COUNTRY PLANS. TABULATED IN TABLES III-1, III-2 AND III-3 BELOW ARE PROPOSED GOALS FOR THE LAND, AIR AND MARITIME FORCES OF PORTUGAL. THOSE PROPOSALS MEETING SECDEF CRITERIA FOR WHICH COSTS HAVE BEEN IDENTIFIED AMOUNT TO 631 MILLION PORTUGUESE ESCUDOS. THAT AMOUNT DOES NOT INCLUDE THE REMAINING COSTS OF PROPOSALS WHICH MET THE SECDEF CRITERIA FOR U.S. PRIORITY ONE, BUT FOR WHICH COSTS HAVE NOT BEEN AVAILABLE.

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2. FOR U.S. PRIORITY ONE PROPOSALS, ESTABLISHED IN ACCORDANCE WITH CRITERIA OUTLINED IN SECDEF STATEMENTS TO NATO. THE U.S. TYPE CODES SHOWN ON THE TABLES ARE AS FOLLOWS:

TYPE CODE	PURPOSE OF PROPOSAL
-----------	---------------------

M	MAINTAIN THE CURRENT SIZE AND READINESS OF FORCES, REPLACING WORN-OUT OR OBSOLETE EQUIPMENT AS NEEDED.
---	--

NC	MAKE IMPROVEMENTS THAT HAVE LITTLE OR NO COST.
----	--

R/S	TAKE ADVANTAGE OF EFFICIENCIES GAINED THROUGH RATIONALIZATION AND SPECIALIZATION OF FORCES.
-----	---

AT	IMPROVE ANTI-ARMOR DEFENSES.
----	------------------------------

AD	IMPROVE CLOSE IN AIR DEFENSE.
----	-------------------------------

AP	IMPROVE AIRCRAFT PROTECTION THROUGH SHELTERS AND DISPERSAL.
----	---

EW	IMPROVE ECM/ECCM CAPABILITIES
----	-------------------------------

WR	INCREASE WAR RESERVES, ESPECIALLY PRECISION MUNITIONS.
----	--

TABLE III-1 HIGHEST PRIORITY FORCE PROPOSALS

----- COUNTRY: PORTUGAL FORCE: LAND

1975-80

PROPOSAL SERIAL NO.	COST OVER AND ABOVE COUNTRY PLANS (MPE)	MC PRIORITY	U.S. TYPE CODE
------------------------	--	----------------	-------------------

1L01	50.2	I	AT
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1L02	85.6	I	AD
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TOTAL 2 AT 135.8

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TABLE III-2 HIGHEST PRIORITY FORCE PROPOSALS

----- COUNTRY: PORTUGAL FORCE: AIR

1975-80

PROPOSAL	COST OVER AND ABOVE	MC	U.S. TYPE
SERIAL NO.	COUNTRY PLANS (MPE)	PRIORITY	CODE

2A02A	COSTS NOT AVAILABLE	I	M
-------	---------------------	---	---

2A05	COSTS NOT AVAILABLE	I	M
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TOTAL 2 AT COSTS NOT AVAILABLE

TABLE III-3 HIGHEST PRIORITY FORCE PROPOSALS

----- COUNTRY: PORTUGAL FORCE: MARITIME

1975-80

PROPOSAL	COST OVER AND ABOVE	MC	U.S. TYPE
SERIAL NO.	COUNTRY PLANS (MPE)	PRIORITY	CODE

2M03	31.8	I	WR
------	------	---	----

2M04	COSTS NOT AVAILABLE	I	WR
------	---------------------	---	----

2M07 AND 2M08	463.3	I	EW
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TOTALS: 2 AT 495.1

1 AT COSTS NOT AVAILABLE

SECTION IV: ANALYSIS AND U.S. PROPOSAL.

1. COST OF PROPOSED U.S. PRIORITY ONE GOALS.

A. THE TOTAL COST OF U.S. SUGGESTED PRIORITY ONE LAND, AIR AND MARITIME DRAFT FORCE GOALS, OVER AND ABOVE CURRENT PORTUGUESE COUNTRY PLANS, IS 631 MILLION PORTUGUESE ESCUDOS. COSTS WERE FROM DRC/WP(74)2, PORTUGAL.

B. ACCORDINGLY, IF ACCEPTED, THE U.S. PROPOSED FORCE GOALS FOR PORTUGAL WOULD REQUIRE AN EXPENDITURE

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INCREASE OVER AND ABOVE ESTIMATED CURRENT NATIONAL PLANS (85,215 MILLION PORTUGUESE ESCUDOS) OR LESS THAN ONE PERCENT. THIS IS WELL BELOW THE 48.3 PERCENT CALCULATED IN SECTION II AS COMPRISING A QTE REASONABLE CHALLENGE UNQTE.

C. THE TABLE BELOW SUMMARIZES THE TOTAL COSTS OF U.S. PROPOSED PRIORITY ONE LAND, AIR, AND MARITIME DRAFT FORCE GOALS, OVER AND ABOVE CURRENT PORTUGUESE COUNTRY PLANS,

AND COMPARES THAT TOTAL TO THE ADDITIONAL AMOUNT THAT COULD BE SPENT WERE THE PORTUGUESE TO ACCEPT AS A REASONABLE CHALLENGE AN EXPENDITURE THROUGH 1980 OF THE SAME PERCENT OF GNP AS NOW DEVOTED TO DEFENSE, OR 126,367 MILLION PORTUGUESE ESCUDOS.

TABLE IV: ADDITIONAL FUNDS FOR DRAFT FORCE GOALS (MILLION PORTUGUESE ESCUDOS).

AVAILABLE 1975-1980 AT CURRENT	
PERCENT OF GNP	41,152
LESS IDENTIFIED COSTS OF US PRIORITY	
ONE PROPOSALS	631
BALANCE AVAILABLE	40,521

2. PORTUGUESE DEFENSE EXPENDITURES

A. DURING THE LAST THREE YEARS, PORTUGAL HAS DEVOTED A HIGHER SHARE OF ITS GNP (7 TO 8 PERCENT) TO DEFENSE EXPENDITURES THAN ANY OTHER NATO COUNTRY.

B. IF ALL NATO COUNTRIES ADOPTED OUR REASONABLE CHALLENGE BUT PORTUGAL, AND PORTUGAL FOLLOWED ITS COUNTRY PLAN, PORTUGAL'S DEFENSE EXPENDITURE AS A PERCENT OF GNP WOULD BE EXCEEDED ONLY BY GREECE, THE UK AND THE US.

C. THE TOTAL COST OF ALL MC PROPOSALS FOR WHICH COSTS HAVE BEEN IDENTIFIED IS 4,588 MPE, ONLY 11 PERCENT OF THE QTE REASONABLE CHALLENGE. UNQTE
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D. BEGIN FYI. THEREFORE, WHILE THE US SHOULD REQUEST THAT PORTUGAL ADHERE TO THE PRINCIPLE THAT ALL NATO COUNTRIES DEVOTE A CONSTANT SHARE OF THEIR GNPS TO DEFENSE, SOME SLIPPAGE FROM PAST LEVELS WOULD BE ACCEPTABLE. END FYI.

3. THE U.S. SHOULD PROPOSE THAT:

A. PORTUGAL ACCEPT AS FORCE GOALS ALL LISTED PROPOSALS FOR WHICH COSTS HAVE BEEN IDENTIFIED ON TABLES III-1 THROUGH 3;

B. PORTUGAL UNDERTAKE ALL ADDITIONAL FORCE PROPOSALS FROM AMONG THOSE FOR WHICH COSTS HAVE NOT BEEN FULLY IDENTIFIED IN THOSE SAME TABLES.

C. PORTUGAL AND THE DRC ATTEMPT TO IDENTIFY OTHER

PROPOSALS FOR PORTUGAL CONSISTENT WITH THE SECDEF'S
CRITERIA; AND

D. FIRST PRIORITY BE GIVEN TO THOSE PROPOSALS CARRYING
THE HIGHEST MC PRIORITY.

4. WASHINGTON WILL CONTINUE TO KEEP THE EVALUATION OF
NATO FORCE GOALS UNDER CAREFUL REVIEW IN THE LIGHT OF
DEVELOPMENTS REPORTED BY THE MISSION AND WILL BE PREPARED
TO SUPPLEMENT OR REVISE GUIDANCE AS MAY BE CONSIDERED
APPROPRIATE.

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